ELK POINT RESOURCES INC.

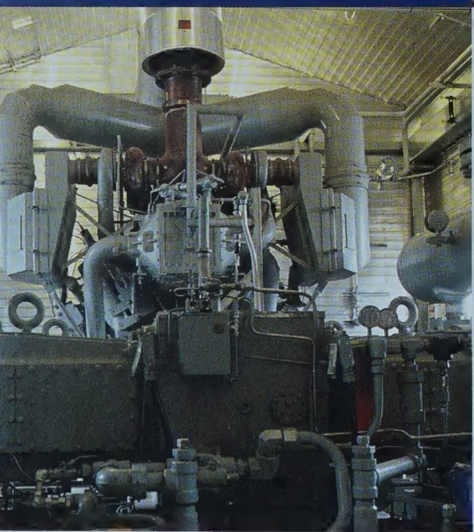
A SOLID FOUNDATION FOR GROWTH

2000 ANNUAL REPORT

CORPORATE
PROFILE

Elk Point Resources Inc. is a growing junior oil and gas company with headquarters in Calgary, Alberta. The Company is engaged in full-cycle exploration, production and marketing of natural gas and crude oil in western Canada and the United States. In its core areas, the Company applies technical and operational expertise and state-of-the-art geophysical, geological and operational techniques to find and develop petroleum reserves on internally generated prospects. The majority of Elk Point's operations are focused in west central Alberta and the Peace River Arch area of Alberta. The Company also has production in northeastern Alberta, southeastern Alberta and southeastern Saskatchewan. In the United States, Elk Point has production in the Powder River Basin of Wyoming and in the San Joaquin Basin of California. The Company is participating in a substantial, high impact exploration program in the San Joaquin Basin of California to follow up on its discovery of high pressure natural gas and associated liquids.

Elk Point trades on the Toronto Stock Exchange under the symbol "ELK".



ANNUAL GENERAL MEETING

The annual general meeting of shareholders will be held on Tuesday June 5, 2001 at 3:00 p.m. in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W. Calgary.

All shareholders and other interested parties are invited to attend.

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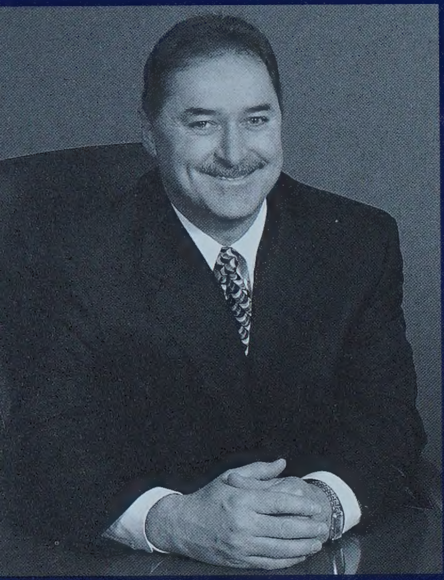
HIGHLIGHTS

	2000	1999	Change
Financial ($000s, except share and per share amounts)			
Gross petroleum and natural gas revenue	$ 72,358	$ 39,210	+85%
Cash flow from operations	$ 36,840	$ 17,798	+107%
Basic per share	$ 1.38	$ 0.77	+79%
Diluted per share	$ 1.38	$ 0.76	+82%
Earnings	$ 12,292	$ 1,897	+548%
Basic and diluted per share	$ 0.46	$ 0.08	+475%
Common Shares (weighted average for year)	26,600,987	23,108,518	+15%
Common Shares (outstanding at December 31)	28,002,681	26,530,931	+6%
Capital expenditures, net	$ 60,023	$ 22,452	+167%
Total assets	$ 246,326	$192,568	+28%
Working capital (deficiency)	$ 98	$ (775)	na
Long-term debt	$ 70,768	$ 53,328	+33%
Shareholders' equity	$ 127,786	$121,942	+5%
Operating			
Oil and NGLs (barrels per day)	1,884	1,779	+6%
Average price ($Cdn. per barrel)	$ 35.26	$ 22.33	+58%
Natural gas (thousand cubic feet per day)	25,937	26,499	-2%
Average price ($Cdn. per thousand cubic feet)	$ 5.06	$ 2.55	+98%
Barrels of oil equivalent per day (10:1)	4,478	4,429	+1%
Barrels of oil equivalent per day (6:1)	6,207	6,196	–
Undeveloped Land			
Gross acres	469,734	554,762	-15%
Net acres	209,939	247,846	-15%
Reserves			
Total proven plus probable reserves			
Natural gas (billion cubic feet)	143.4	130.4	+10%
Oil and NGLs (thousand barrels)	14,690	10,913	+35%

In 2000, Elk Point focused on medium risk natural gas exploration and development in west central Alberta and high impact exploration in the San Joaquin Basin of California. At year-end these activities were augmented by the strategic purchase of long-life producing assets at Valhalla and Pouce Coupe in the Peace River Arch, Alberta.



Aidan Walsh
President and Chief Executive Officer

SEVERAL INITIATIVES UNDERTAKEN IN 2000 WILL PROVIDE STRONG PLATFORMS FOR CONTINUED GROWTH IN 2001

- Increasing the Company's concentration in our largest core area of west central Alberta with a gas property acquisition at Lodgepole and land acquisitions at Wildwood.
- The strategic acquisition of long-life producing oil and gas reserves at Valhalla and Pouce Coupe in the Peace River Arch, our second largest core area.

PRESIDENT'S

MESSAGE TO SHAREHOLDERS

Elk Point's cash flow more than doubled to $36.8 million in 2000, and we achieved record earnings of $12.3 million. Our net asset value grew to $10.47 per share, up from $5.91 per share in 1999. Our fourth quarter average natural gas sales price of $7.96 per thousand cubic feet was one of the highest recorded in the industry. Our high impact exploration program in California yielded a commercial discovery of high-pressure natural gas and associated liquids. In 2001 we are confidently building our momentum to achieve even greater results.

EXPLORATION AND DEVELOPMENT

In 2000, Elk Point focused its exploration activities on multi-zone natural gas targets in west central Alberta and participated in three high impact exploratory wells in the San Joaquin Basin of California. Highlights of our exploration efforts included a Belly River gas pool discovery at Apetowun, a Nordegg gas pool at Pembina, a Rock Creek oil pool at Lodgepole, two cased gas wells at Wildwood, and a Temblor natural gas discovery at East Lost Hills in the San Joaquin Basin. The Company drilled three successful development oil wells at Wapella in southeastern Saskatchewan and gas wells at Lodgepole, Cherhill and Bigoray.

Elk Point is entering 2001 with a promising inventory of both exploration prospects and development projects. Medium risk gas exploration will be focused at Corbett and Apetowun to take advantage of existing natural gas gathering and processing infrastructures and at Wildwood to follow up on our initial exploration success. Medium risk exploration is also planned on prospects in the Peace River Arch targeting multi-zone natural gas.

High-impact exploration is continuing in the San Joaquin Basin of California where two wells, BKP#3 and BKP#4, are drilling to evaluate two separate prospects in the Temblor formation with the potential for high-pressure natural gas and associated liquids. The BKP#1 natural gas discovery well was placed on production in February 2001 and the BKP#2 well was completed and flow tested in early March 2001 and is currently shut-in for build-up.

Development activities include gas well tie-ins at Heart Lake, Corbett, Pinehurst, Knobhill and Coutts and the installation of gas injection facilities to increase oil production from the Westerose Banff B oil pool.

DRILLING ACTIVITY

Elk Point participated in the drilling of 41 gross (19.3 net) wells, 59 percent of which were operated. The Company cased 19 gross (8.0 net) gas wells and 9 gross (5.2 net) oil wells while 13 gross (6.1 net) wells were dry and abandoned for an overall success rate of 68 percent.

- An aggressive drilling program to follow up on a high pressure natural gas and condensate discovery at East Lost Hills in the San Joaquin Basin of California.
- Increased leverage to favorable spot gas prices.
- A $7 million flow-through financing that will fund our Canadian gas exploration activities in 2001.

CORE AREA ACQUISITIONS

In the first quarter of 2000, the Company acquired gas production, operatorship and a 14.1 percent ownership interest in a 28 million cubic feet per day gas plant as well as 10,649 net acres of undeveloped land in the Lodgepole and Brazeau areas of west central Alberta. The Company drilled one gas well and one oil well on these properties in 2000 and tied-in approximately 5 million cubic feet per day of third party gas into the Lodgepole plant.

At year-end, the Company closed the acquisition of light crude oil and natural gas assets in the Pouce Coupe and Valhalla areas of Alberta for an adjusted purchase price of $27.6 million. The net production from these properties is approximately 3.2 million cubic feet per day of natural gas, 470 barrels per day of light crude oil and 35 barrels per day of natural gas liquids.

The Pouce Coupe property is an operated, high netback, light oil (40° API) property featuring a 7 percent decline rate. The Company acquired a 62.8 percent working interest in this property which includes an oil battery and water injection facility and amine, refrigeration and gas compression facilities.

The Valhalla property is a high netback, non-operated, light oil property (37° API) with both associated and non-associated gas production. A recent waterflood pilot project in the Montney "C" pool has shown positive production response, and there is an opportunity to expand the waterflood over the whole pool which has the potential to more than double production. The Company acquired an average 35 percent working interest in the property, a 16.33 percent working interest in an oil battery, gathering system and solution gas compressor and a 25 percent working interest in a water injection plant.

These properties are located in close proximity to Elk Point's highest cashflow, operated natural gas property at Saddle Hills. The assets include 11,680 gross acres (5,689 net acres) of undeveloped lands in an area which has multi-zone potential for natural gas and light crude oil. The assets have low operating costs and low decline rates and provide a stable platform for future growth in the Company's Peace River Arch core area.

Elk Point will continue to include property acquisitions as part of its business strategy. The acquisition of the Pouce Coupe and Valhalla properties was accretive to Elk Point's cash flow and earnings. The incremental exploitation opportunities in the assets complement the Company's balanced exploration and drilling program for the coming year.

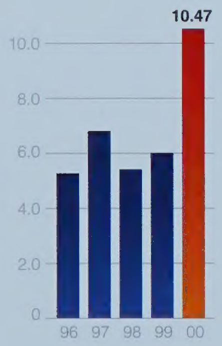
Our goal is to complete at least one significant property acquisition in 2001 and to follow this up with a minor disposition program as part of our ongoing property evaluation and rationalization process.

ELEMENTS OF OUR GROWTH STRATEGY IN 2001

- Substantial leverage to natural gas in our current prospect inventory and production base.
- Behind-pipe natural gas tie-in projects at Heart Lake, Knobhill, Corbett, Newton and Coutts which will contribute to low risk production growth.
- An active medium risk natural gas exploration program in west central Alberta where we have considerable natural gas infrastructures.

NET ASSET VALUE PER SHARE

(Established reserves, 10% discount)



NET ASSET VALUE

The Company's year-end net asset value on an established reserve basis increased by 77 percent to $10.47 per share at a 10 percent discount and increased by 80 percent to $8.76 per share at a 15 percent discount. No value was attributed to tax pools in these net asset value assessments.

RESERVES

The Company grew its oil and natural gas liquids reserve base by 35 percent to 14.7 million barrels in 2000 and grew its natural gas reserve base by 10 percent to 143.4 billion cubic feet. With net capital expenditures of $60.0 million, finding costs on a barrel of oil equivalent basis of 6:1 were $7.31 for total reserves, $9.07 for established reserves and $11.95 for proven reserves (on a 10:1 barrel of oil equivalent basis they were $8.94 for total reserves, $11.22 for established reserves and $15.07 for proven reserves).

LIQUIDITY AND CAPITAL RESOURCES

On December 21, 2000 Elk Point completed a private placement of 1.4 million flow-through common shares at a price of $5.00 per share raising gross proceeds of $7 million. The gross proceeds of this offering will be used to fund the Company's natural gas and crude oil exploration activities in western Canada.

At year-end the Company had drawn $70.8 million on its revolving credit facility of $80 million.

MANAGEMENT TEAM

The management and Board of Directors of Elk Point are pleased to announce the promotion of Mr. Troy Brazzoni, P. Geol. to Executive Vice President, Exploration, Mr. Darrin Drall, P.Eng. to Vice President, Corporate Development and Mr. James Junker, B.Comm. to Vice President, Land.

INDUSTRY ENVIRONMENT

Natural gas prices soared to new heights this past year as natural gas storage inventories were replenished at a reduced rate over the summer and entered the winter season at new lows. The Nymex natural gas price at Henry Hub averaged U.S. $3.91 per million British Thermal Units while the Canadian gas price at AECO Hub averaged Cdn. $5.30 per gigajoule. Similarly, notwithstanding two increases in production quotas by the Organization of Petroleum Exporting Countries ("OPEC") the crude oil WTI price averaged U.S. $30.20 per barrel in 2000.

Looking forward into 2001, there is reason to be optimistic about natural gas and crude oil prices. The Alliance Pipeline expansion from western Canada into the U.S. Midwest will contribute to significantly higher Canadian gas prices over the next several years. As storage gas in Canada is depleted, increased demand from the additional pipeline takeaway capacity to the U.S. will reduce storage injection capability over the summer. This creates a bullish natural gas pricing scenario for the upcoming summer and winter. Low storage levels in the west and shortages of electricity in certain regions ensure robust gas prices in the U.S. and Canada.

Crude oil prices will be tied to the decisions by members of the OPEC cartel with respect to any production decreases to stabilize oil prices. So far this year, OPEC has been proactive in reducing their production quota twice by 1.5 million and 1.0 million barrels per day, respectively. We anticipate a further reduction in the OPEC production quota in the second half of 2001 which would tend to stabilize crude oil prices around a median price of U.S. $25.00 per barrel.

OUTLOOK

Elk Point is well positioned for growth in 2001 and is planning an aggressive drilling program to evaluate its substantial inventory of natural gas prospects. The BKP#1 well at East Lost Hills commenced production of natural gas and condensate in early February 2001 generating initial cash flow from this exploration success. Similarly, the Company commenced first production in December 2000 from exploratory gas

- Increased drilling following up on recent natural gas discoveries on our highly prospective, contiguous land bases at Wildwood, Corbett and Apetowun.
- High-impact exploration in the San Joaquin Basin pursuing potentially significant reserves of high pressure natural gas and liquids.
- An acquisition and disposition program to complement our exploration activities and to upgrade our asset base.
- Strong prices for natural gas and crude oil which have increased netbacks and cash flow.
- Greater financial flexibility from increased cash flow and an improved balance sheet.

wells at both Apetowun and Voyager. In the first half of 2001, natural gas exploration and development activity will be focused in west central Alberta at Corbett, Westerose, Wildwood, Apetowun, Bigoray and Pembina, and in the Peace River Arch at Pouce Coupe, Valhalla and Clear Hills. The Company's programs in these areas include medium depth, multi-zone exploration as well as low risk tie-ins and oil pool optimizations.

At Westerose, gas injection facilities have been installed to allow increased oil production under Good Production Practice. In southern Alberta, the Company has plans to tie-in three gas wells at Coutts in May 2001 with expected net production of 1.5 million cubic feet per day. In the Powder River Basin we will continue our crude oil exploration in the later half of this year using three-dimensional seismic to lower exploration risk.

At East Lost Hills we will continue to pursue the exciting natural gas potential of the high-pressure Temblor formation by evaluating the BKP#2 well and continuing the drilling of two additional wells. Technical analysis is ongoing to decide on further evaluation of the Bellevue #1R well, and additional wells are planned on the main East Lost Hills structure in 2001. Seismic interpretation work is proceeding on the Pyramid Hills and Lucky Dog prospects to select the next target for our continued exploration program in this area.

Once again, we acknowledge the considerable support and interest we have received from our shareholders. I thank the Company's Board of Directors for their proactive approach to the stewardship and strategy of the Company and the employees of Elk Point who have exhibited perseverance and commitment in the pursuit of opportunities to grow our asset base. We also acknowledge the solid relationships we have built with our key consultants and equipment and service providers whose collaboration and cooperation are keys to the successful implementation of our exploration and development activities.

From left to right:

Darrin Drall
Vice President, Corporate Development

Twyla Paget-Turcotte
Controller

James Junker
Vice President, Land

Gates Aurigemma
Operations Accounting Supervisor

Vivian Truesdale
Chief Financial Officer

Aidan Walsh
President and Chief Executive Officer

Brian Goodfellow
Vice President, Production and Operations

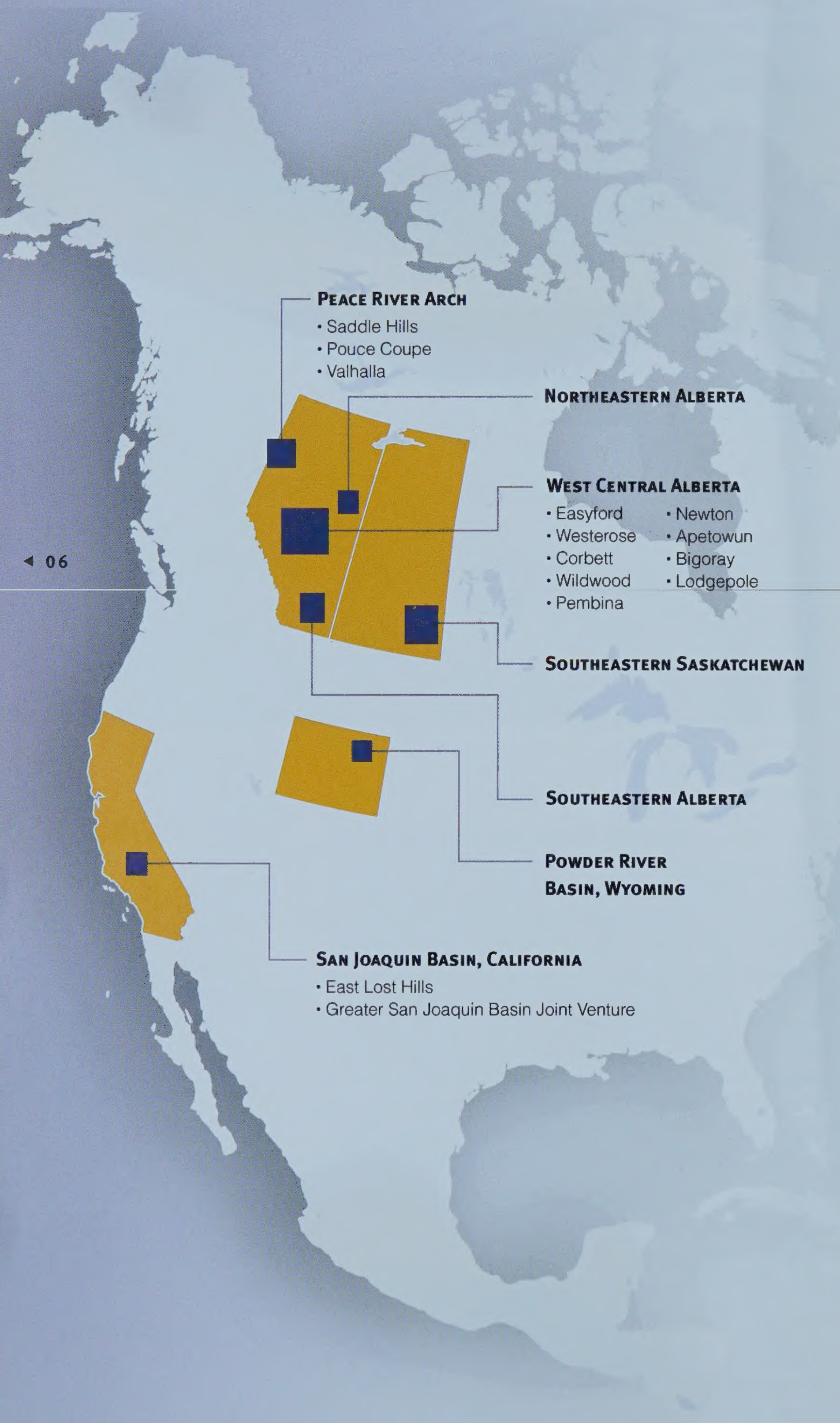
Troy Brazzoni
Executive Vice President, Exploration

We have established a solid foundation for growth: a gas leveraged asset base concentrated in our core areas of west central Alberta and the Peace River Arch of Alberta; a high-impact, natural gas exploration program at East Lost Hills in the San Joaquin Basin, California; highly prospective exploration acreage in the Powder River Basin of Wyoming targeting oil; an acquisition program which strengthens our asset base; and a technical team with a proven track record. Building on this solid asset base and an excellent opportunity portfolio, the Elk Point team is committed to a long-term strategy which aims for continued profitable growth in 2001 and beyond.

Respectfully submitted on behalf of the Board of Directors,

Aidan M. Walsh, P.Eng.
President & Chief Executive Officer
March 22, 2001

MAJOR
AREAS OF ACTIVITY



In 2000, Elk Point's exploration and development activities were focused in the west central area of Alberta and in the San Joaquin Basin of California. These were complemented by the acquisitions of long-life producing natural gas and light oil reserves in the Company's Peace River Arch core area and an operated natural gas processing plant, natural gas production and undeveloped lands in west central Alberta.

In 2001, the Company's growth will be fuelled by a balanced portfolio of low risk development projects, medium to high risk exploration in our core areas and synergistic acquisitions. We will concentrate our exploration initiatives on medium risk, multi-zone natural gas prospects in west central Alberta and the Peace River Arch area of Alberta, and these will be complemented by high impact natural gas exploration and development at East Lost Hills in the San Joaquin Basin of California.

HIGHLIGHTS

Exploration

The Company has tremendous potential in its west central Alberta and Peace River Arch natural gas exploration prospects, its high impact natural gas exploration program in the San Joaquin Basin of California and its highly prospective oil acreage in the Powder River Basin of Wyoming.

Acquisitions

The acquisition of operated natural gas production and facilities at Lodgepole and undeveloped land at Wildwood increased our concentration in west central Alberta.

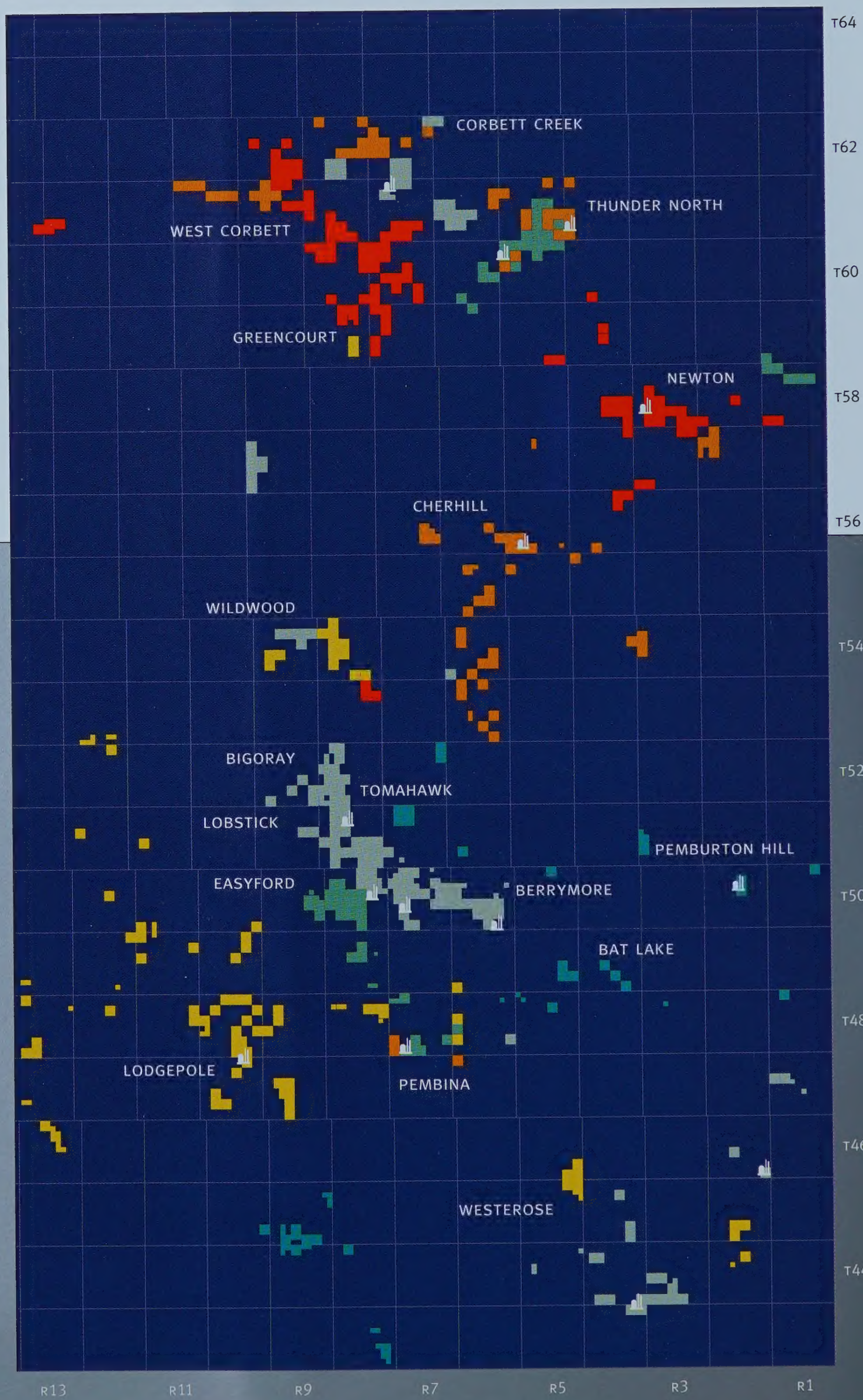
Similarly, our acquisitions of the Pouce Coupe and Valhalla properties gave us greater concentration in the Peace River Arch area of Alberta.

Development

A priority for 2001 is to bring on stream the shut-in gas we have at Heart Lake, Knobhill, Coutts, Corbett and Wildwood. These areas have had infrastructure problems which the Company has recently resolved.

WEST CENTRAL ALBERTA

CORE AREA

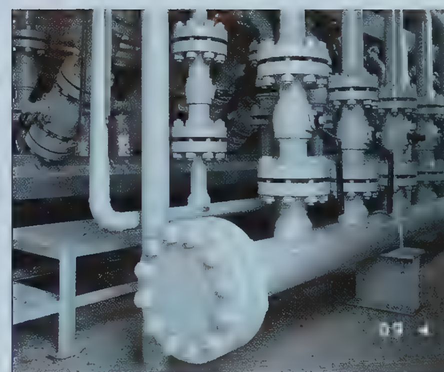


This is Elk Point's largest core area with 55 percent of the Company's production base and approximately 133,000 net acres of highly prospective undeveloped lands. Over the past several years the Company has focused on building and solidifying its undeveloped land base in this area to capitalize on its potential. This area features medium depth, multi-zone targets with significant production and reserve potential from up to 15 geological horizons. In 2000, the Company drilled successful gas wells at Pembina, Newton, Wildwood, Cherhill and Lodgepole.

1995 | 1998
1996 | 1999
1997 | 2000

Corbett

The Company has 22,000 net acres of undeveloped land in the Corbett area and a 92 percent working interest in a gas processing facility. The Company drilled two gas wells on this property in the first quarter of 2001 and two additional wells are planned for drilling in the second quarter of 2001.

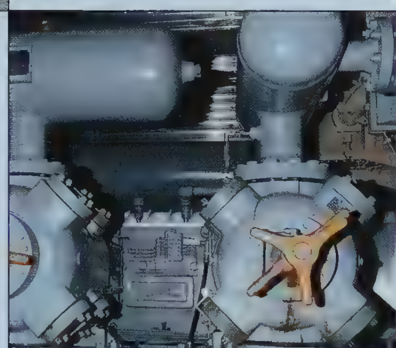


Easyford

In August 2000, two operated sour Pekisko gas wells in which Elk Point has 25 percent and 40 percent working interests were tied into an expanded Bigoray gas plant. The Company has additional exploration prospects to evaluate in this area in 2001.

Westerose

Gas cycling facilities were installed on the Westerose Banff B oil pool in January 2001 and net light oil production increased from 20 barrels per day to 150 barrels per day. In 2000 the Company tied-in three gas wells in this area and is currently working on the tie-in of a single gas well which is expected to produce 0.8 million cubic feet per day net to the Company in May 2001.



Wildwood and Greencourt

The Company has 7,462 net acres of undeveloped land at Wildwood. In 2001 the Company is planning to drill three exploration tests on these lands and has five contingent locations all targeting multi-zone natural gas.

Elk Point has 8,992 net acres of undeveloped land at Greencourt. In the first quarter of 2000, the Company tied-in a previously shut-in gas well and drilled two exploratory wells casing both as gas wells.

Pembina

At Pembina, the Company drilled and completed two Nordegg gas wells (67 percent working interest) which were placed onstream in January of this year adding 0.8 million cubic feet per day of net gas production.

Newton

The Company has 12,900 net acres of undeveloped land in the Newton area which has multi-zone natural gas potential from the Upper and Lower Mannville groups. The Company is planning on tieing in a gas well for production in the second quarter of 2001.

attery and gas compression facility

Apetowun

Elk Point has positioned itself for natural gas exploration in the Apetowun/Banshee area with working interests averaging 45 percent in 44 sections of undeveloped land. This area is characterized by multi-zone, medium depth and deeper liquid rich natural gas zones in the Cretaceous, Mississippian and Devonian formations. The Company tied-in one gas well at year end adding 0.5 million cubic feet per day of net gas production. The Company has two shut-in gas wells on this property awaiting further development.

At year-end the Company's deeper petroleum and natural gas rights in this area were farmed out for cash consideration and a gross overriding royalty thereby reducing our capital exposure and risk. Going forward, the Company is focussing its exploration program on natural gas from the Belly River horizon in this area. The Company is planning one re-entry and one new location targeting the Belly River zone in the first quarter of 2001 and additional drilling is planned for late 2001.

Bigoray

At Bigoray, the Company holds a 7.2 percent working interest in the Bigoray Unit #1 and working interests ranging up to 100 percent in offsetting non-unit lands. The Company has an aggressive development plan for this area over the next two years targeting multi-zone potential for both oil and gas in the Glauconite, Ostracod, Nordegg, Pekisko and Banff formations.

During the first quarter of 2000, two wells were re-entered and three wells were drilled resulting in four gas wells and one oil well, all near existing production infrastructure. These gas wells were tied-in early in the second quarter of 2000. In the first quarter of 2001, two gas wells were drilled and are expected to be placed on stream in April 2001. The Company expects to drill up to five wells on this property in 2001.

Lodgepole gas plant

Lodgepole

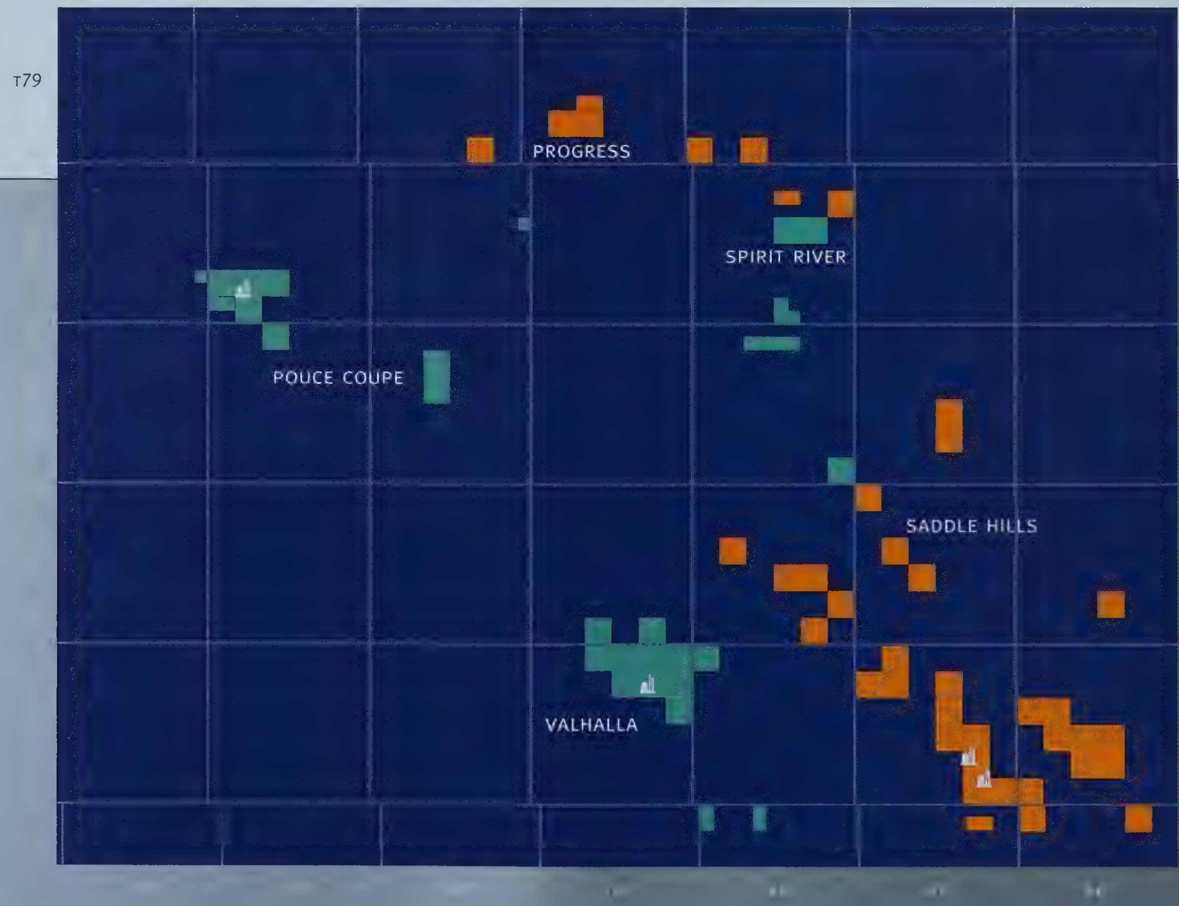
Through an asset purchase in the first quarter of 2000, the Company acquired operatorship and a 14.1 percent ownership interest in a 28 million cubic feet per day sweet natural gas plant. The properties included 10,649 net acres of undeveloped land, several shut-in wells with recompletion potential and up to five drilling locations. One of these locations was drilled in the third quarter of 2000 yielding test rates in excess of 1.5 million cubic feet per day, 50 percent net to Elk Point.

In August 2000 the Company brought an additional 5 million cubic feet per day of third party gas into the Lodgepole gas plant generating processing income and decreasing the per unit operating costs of the facility.

PEACE RIVER ARCH

CORE AREA

- The Company has 11,825 net acres of undeveloped land in this area which features multi-zone potential for oil and gas. This area includes Saddle Hills, the Company's largest natural gas producing and cash flow property. This area was expanded in December 2000 by the acquisition of the Pouce Coupe and Valhalla long-life producing light oil and natural gas properties.



Saddle Hills

The Company operates and has working interests ranging from 11 percent to 100 percent in nine producing gas wells in this area, has 70 percent ownership in a sweet processing plant and a 30 percent ownership in a sour gas gathering and compression facility. In March 2000, a shut-in gas well in which the Company has a 25 percent working interest was tied into the existing sour gas infrastructure at an initial rate of 1.5 million cubic feet per day. The Company plans to drill one exploration well in 2001 targeting natural gas in this area.

Valhalla

The Valhalla property is a high netback, non-operated, light oil property (37° API) with both associated and non-associated gas production. This property produces approximately 285 barrels per day of light oil and natural gas liquids and 2.5 million cubic feet per day of associated and non-associated natural gas. A recent waterflood pilot project in the Montney "C" pool has shown positive production response and there is an opportunity to expand the waterflood over the whole pool which has the potential to more than double production. The Montney "I" and "O" pools are also potential waterflood candidates. The property includes a 16.33 percent working interest in an oil battery and gathering system and a solution gas compressor, as well as a 25 percent working interest in a water injection plant. A 42 percent working interest well was recently completed and tied-in netting the Company approximately 40 barrels of oil equivalent per day.

Pouce Coupe

The Pouce Coupe property is an operated, high netback, light oil (40° API) property featuring a 7 percent decline rate and an average working interest of 62.8 percent. The property produces approximately 220 barrels of light oil and natural gas liquids and 0.7 million cubic feet of associated and non-associated gas. The property includes a 62.8 percent working interest in an oil battery and water injection facility, as well as amine, refrigeration and gas compression facilities. The Company has identified up to three outpost drilling locations on the property for development this year.

High Impact Exploration

The Company has an interest in 33,190 gross (2,323 net) acres of undeveloped land at East Lost Hills, and an interest in 24,915 gross (934 net) acres in the Greater San Joaquin Joint Venture.

East Lost Hills

The BKP#1 well at East Lost Hills, in which the company has a 7.88 percent working interest before pay out (7.00 percent after pay out), was drilled to a depth of 19,724 feet and completed in a lower sand of the Temblor formation. The well flowed up to 23 million cubic feet per day on clean-up and the last recorded rate during the extended flow test was 13.1 million cubic feet per day at a flowing wellhead pressure of 8,100 kpa. The well was placed on production in February 2001 at an initial rate of 9.6 million cubic feet per day which was gradually increased to approximately 13 million cubic feet per day plus associated liquids. Market limitations have limited sales in February and March to approximately 10 million cubic feet per day plus approximately 50 barrels per million cubic feet of associated liquids.

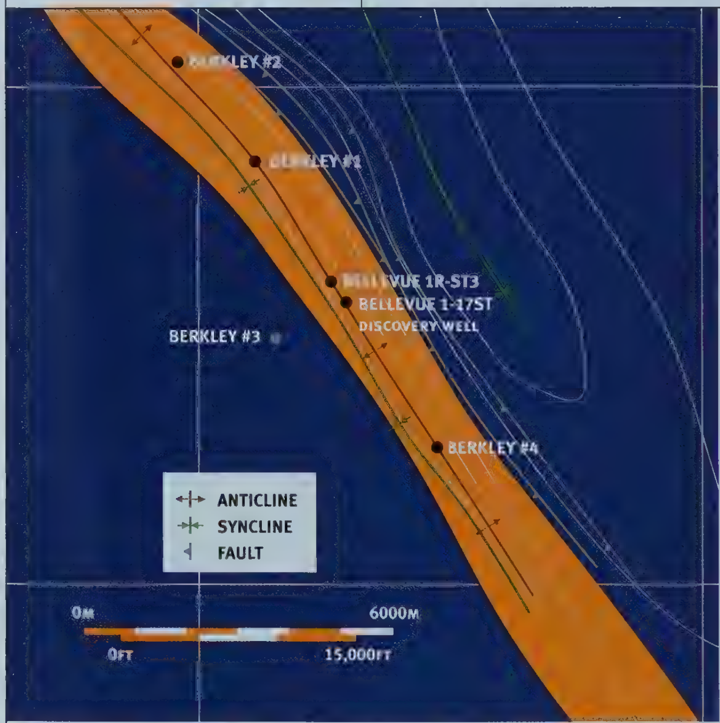
The BKP#2 well was drilled and cased at a depth of 18,350 feet. This well encountered three prospective horizons with gas shows and evidence of fracturing. Completion of this well to evaluate the lower of these potential horizons occurred in early March 2001. The well was recently flow tested and is currently shut-in for build-up. An analysis of the potential of this zone will be made once downhole pressure recorders are removed from the well after the pressure build-up phase of the test.

Drilling is continuing on the BKP#4 outpost well on the main East Lost Hills structure with a targeted depth up to 20,000 feet. On the separate West Flank prospect, the BKP#3 exploration well is drilling to an extended target depth in excess of 21,000 feet.

Greater San Joaquin Basin Joint Venture

Elk Point is also participating in the Greater San Joaquin Basin Joint Venture which features three additional high impact prospects. A well at Cal Canal, in which the Company has a 5.00 percent working interest before payout (3.75 percent after payout), was drilled and cased at a depth of 18,100 feet and requires further evaluation of the Temblor formation.

At Pyramid Hills, additional seismic data has been compiled and is being interpreted to select an exploration location for drilling in 2001.



East Lost Hills Project

POWDER RIVER BASIN, WYOMING

In 2000, Elk Point deferred its exploration efforts in the Powder River Basin, Wyoming to focus on natural gas targets in west central Alberta and its high impact exploration in California.

The Company has approximately 20,000 net acres of contiguous undeveloped land in the Powder River Basin, and the Minnelusa C sand is the primary target. In addition to its proven True Grit and Boley oil projects, the Company has identified 11 additional exploration prospects to be evaluated. Our significant land position, exploration concepts and use of three-dimensional seismic data provide us with a substantial competitive advantage and the ability to grow our production base in the Powder River Basin.

Current production of 220 barrels per day net to the Company is generated from the unitized oil pools at True Grit and Boley.

The Company is planning a three-dimensional seismic program for the third quarter of 2001 to prepare for exploration drilling in this area in the fourth quarter.

ALBERTA

The Company has 11,478 net acres of undeveloped land in this area. Elk Point operates three shallow gas properties at Pinehurst, Sugden and Amisk and has a non-operated property at Heart Lake. These properties generate approximately 10 percent of the Company's production. The Company recently drilled a successful gas well at Pinehurst which was put on production in early February 2001.

Heart Lake

The Company is tieing in six shut-in gas wells on this property which are expected to add 0.8 million cubic feet per day of net gas production by the end of the first quarter of this year.

SOUTHEASTERN ALBERTA

Coutts

At Coutts in southeastern Alberta, the Company operates and has an average 45 percent working interest in a long-life, light oil property which has a central oil battery and both gas and water injection facilities. A well workover program was conducted in February 2001 which boosted net production by 20 barrels per day. As well, the Company has five shut-in gas wells with an average working interest of 40 percent. Elk Point is negotiating the tie-in of these wells to a new gas gathering system for export into the U.S. markets. Initial production is expected to be approximately 1.5 million cubic feet per day net to Elk Point. This gas project is scheduled to be on stream in May 2001 contingent on receipt of all necessary regulatory approvals.

SOUTHEASTERN SASKATCHEWAN

The Company holds 8,846 net acres of undeveloped land in southeastern Saskatchewan which delivers approximately seven percent of the Company's current production.

Elcott

A waterflood simulation study was conducted to evaluate the economic and technical feasibility of a waterflood project for this pool. The study indicated that a waterflood project, if implemented, would increase well productivity, improve the pool recovery factor and extend the reservoir life of the pool. The economic feasibility of this project is currently being evaluated.

Huntoon

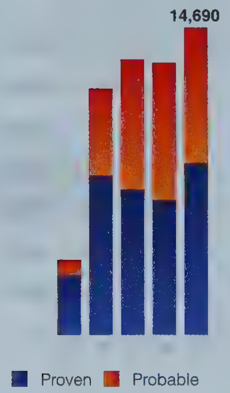
In the first quarter of 2000, three shut-in wells were reactivated and production increased by approximately 30 barrels per day.

Wapella

The Company operates an oil battery and 16 wells in this area which features long-life oil wells from Jurassic sands. The Company drilled two infill and one outpost locations on this property in September 2000 initially increasing net production by 100 barrels per day.

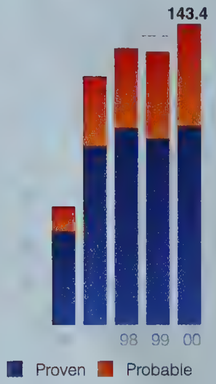
Crude Oil and NGL Reserves

(thousand barrels)



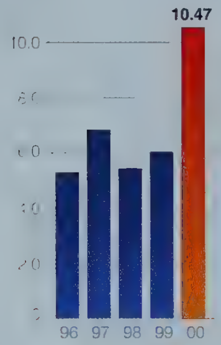
Natural Gas Reserves

(billion cubic feet)



Net Asset Value per Share

(Established reserves, 10% discount)



REVIEW
OF OPERATIONS

In 2000, Elk Point continued to develop its portfolio of natural gas prospects and to optimize its existing production base. Natural gas wells were tied into new infrastructure at Apetowun and Voyager and into existing infrastructure at Pembina, Lodgepole and Westerose. The key elements of our development strategies are:

- building core areas for operational focus,
- owning and operating oil and gas infrastructures for cost control,
- using internal engineering, project development and marketing expertise to capitalize on niche opportunities,
- accelerating project development time, and
- maintaining an inventory of low and medium risk development projects.

In the first quarter of 2000, the Company acquired approximately 1.4 million cubic feet per day of natural gas and 123 barrels per day of crude oil and natural gas liquids as well as ownership and operatorship in a gas plant and gathering system at Lodgepole in our west central Alberta core area. At year-end, the Company acquired the Pouce Coupe and Valhalla long-life light oil and natural gas properties which were producing 3.2 million cubic feet per day of natural gas and 505 barrels per day of light crude oil and natural gas liquids in our Peace River Arch core area.

Elk Point participated in the drilling of 41 gross (19.3 net) wells, 59 percent of which were operated. The Company cased 19 gross (8.0 net) gas wells and 9 gross (5.2 net) oil wells while 13 gross (6.1 net) were dry and abandoned for an overall success rate of 68 percent.

DRILLING ACTIVITY

	2000				1999			
	Exploration		Development		Exploration		Development	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gas wells	14	7.0	5	1.0	10	4.9	9	5.4
Oil wells	4	1.8	5	3.4	–	–	6	2.7
Dry and abandoned	7	3.9	6	2.2	6	3.0	1	1.0
	25	12.7	16	6.6	16	7.9	16	9.1

RESERVE SUMMARY

Reliance Engineering Group Ltd. ("Reliance") has independently evaluated Elk Point's Canadian and Wyoming petroleum and natural gas reserves each year for the last 5 years. The Company's reserves in California were evaluated by McDaniel and Associates Consultants Ltd., independent petroleum engineering consultants ("McDaniel"). Below is a summary of the Company's reserves.

	Natural Gas (billion cubic feet)		Oil & NGLs (thousand barrels)	
As at December 31	2000	1999	2000	1999
Proven Developed	85.0	83.7	7,068	5,519
Proven Undeveloped	9.7	4.9	1,068	886
Total Proven	94.7	88.6	8,136	6,405
Probable	48.7	41.8	6,554	4,508
Total Proven and Probable	143.4	130.4	14,690	10,913

The price forecasts used in the Reliance report for natural gas sales in Canada and in the McDaniels report for natural gas sales at the East Lost Hills Plant Gate effective January 1, 2001 are as follows:

Average Gas Prices

($Cdn/mcf)(1)

Year	AMP (2)	CanWest (3)	TCGS(4), ProGas and PanAlberta	Spot (5)	East Lost Hills Plant Gate
2001	7.30	6.95	6.85	7.50	15.00
2002	5.40	5.10	4.95	5.50	8.90
2003	4.50	4.40	4.50	4.70	6.20
2004	4.30	3.95	4.05	4.45	5.58
2005	4.20	3.85	4.10	4.20	5.39
2006	4.10(6)	3.85(6)	4.05(6)	4.10(6)	5.50(7)

Notes:

(1) Adjusted for Heating Value

(2) Alberta Average Market Price

(3) CanWest wellhead purchase price net of gathering and processing charges.

(4) TransCanada Gas Services Ltd.

(5) Interruptible sales.

(6) Prices escalated at 1.5 percent per year thereafter.

(7) Prices escalated at $0.11 per mcf per year thereafter.

Average Oil Prices

Year	WTI (1) $U.S./bbl	Canadian Crude FOB Edmonton $Cdn./bbl(2)	$U.S./$Cdn. Exchange	NGL $Cdn./bbl
2001	27.00	40.15	0.655	33.90
2002	25.00	36.85	0.660	30.55
2003	22.50	32.50	0.670	27.00
2004	22.30	32.25	0.670	26.75
2005	22.70	32.35	0.680	26.80
2006(3)	23.20	32.55	0.690	27.00

Notes:
(1) West Texas Intermediate – Cushing, Oklahoma
(2) 40° API and 0.5 percent sulphur adjusted for gravity and transportation.
(3) Prices escalated at 1.5 percent per year thereafter.

Reconciliation of Changes in Reserves

Natural Gas

(billion cubic feet)	Proven	Probable	Total
Reserves December 31, 1999	88.6	41.8	130.4
Additions and acquisitions	23.4	12.3	35.7
Revisions to previous estimates	(6.8)	(1.0)	(7.8)
Dispositions	(1.0)	(4.4)	(5.4)
Production	(9.5)	–	(9.5)
Reserves December 31, 2000	94.7	48.7	143.4

Crude Oil & Natural Gas Liquids

(thousand barrels)	Proven	Probable	Total
Reserves December 31, 1999	6,405	4,508	10,913
Additions and acquisitions	2,750	2,243	4,993
Revisions to previous estimates	(188)	289	101
Dispositions	(142)	(486)	(628)
Production	(689)	–	(689)
Reserves December 31, 2000	8,136	6,554	14,690

With net capital expenditures of $60.0 million in 2000, finding costs after revisions on a barrel of oil equivalent basis (6:1) were $7.31 for total reserves, $9.07 for established reserves and $11.95 for proven reserves (on a 10:1 barrel of oil equivalent basis they were $8.94 for total reserves, $11.22 for established reserves and $15.07 for proven reserves). The Company expended $6.9 million on exploration and land in California.

UNDEVELOPED LAND HOLDINGS

As part of the Company's minor property disposition program, the company rationalized its undeveloped land holdings with a reduction in holdings primarily in southeastern Alberta. The Company is now adding to its undeveloped land base in its core areas of west central Alberta and the Peace River Arch area of Alberta.

	2000			1999		
	Acres		Average Working	Acres		Average Working
	Gross	Net	Interest	Gross	Net	Interest
Alberta	344,120	172,119	50%	336,930	181,751	54%
Saskatchewan	22,956	12,384	54%	31,290	18,579	59%
British Columbia	3,665	857	23%	4,795	897	19%
Manitoba	1,709	570	33%	299	100	33%
Canada	372,450	185,930	50%	373,314	201,327	54%
United States	97,284	24,009	25%	181,448	46,519	26%
Undeveloped Land	469,734	209,939	45%	554,762	247,846	45%

NET ASSET VALUE

At December 31, 2000 the Company's net asset value increased by 77 percent to $10.47 per share on a 10 percent discounted basis, up from $5.91 per share at year-end 1999. No value is attributed to tax pools in these net asset value assessments.

Net Asset Value Calculation at December 31

($000s, except share and per share amounts)	2000	1999	1998	1997	1996
Net present value of established reserves					
(discounted at 10% before taxes)	$ 354,675	$189,449	$166,264	$173,739	$ 73,994
Undeveloped land	15,253	17,123	17,778	15,588	7,030
Seismic	5,985	5,000	5,500	5,200	3,000
Long-term debt	(70,768	(53,328)	(71,217)	(33,586)	(5,750)
Working capital (deficiency)	98	(775)	(2,238)	(13,854)	(3,923)
Exercise of stock options	12,565	11,118	9,776	8,932	1,853
Total	$ 317,808	$180,137	$125,863	$156,019	$ 76,204
Fully diluted shares at December 31 (000s)	30,354	28,536	23,506	23,157	14,620
Established reserves					
Net asset value per fully diluted share (10%)	$ 10.47	$ 5.91	$ 5.35	$ 6.74	$ 5.21
Net asset value per fully diluted share (15%)	$ 8.76	$ 4.86	$ 4.17	$ 5.65	$ 4.54
Total reserves					
Net asset value per fully diluted share (10%)	$ 12.72	$ 7.07	$ 6.62	$ 7.91	$ 5.69
Net asset value per fully diluted share (15%)	$ 10.55	$ 5.78	$ 5.22	$ 6.59	$ 4.93

Included in the net present value of established reserves discounted at 10 percent before taxes is $28.5 million for the reserves in California ($24.5 million at a discount of 15 percent).

MARKETING

Natural Gas

Throughout 2000, Elk Point's natural gas marketing strategy continued to focus on increasing the Company's marketing portfolio exposure to Alberta premium spot prices. By year-end, natural gas sales in Alberta accounted for 73 percent of the Company's total portfolio, up from 68 percent in 1999. Adhering to this strategy enabled the Company to receive an average gas price of $5.06 per thousand cubic feet in 2000, up from $2.55 per thousand cubic feet in 1999.

At the end of 2000, the remaining 27 percent of the Company's portfolio was directed to US based pricing, consisting of 19 percent in three U.S. price based contracts and 8 percent under aggregator contracts. Total sales to aggregators were reduced to 15 percent in 2000 from 19 percent in 1999 primarily through increases in undedicated production and gradual contract quantity declines.

The Company's natural gas marketing strategy is to use forward sales contracts to manage natural gas price risk. At April 20, 2001, Elk Point has fixed 3.8 million cubic feet per day at an average AECO price of $8.26 per thousand cubic feet for the first half of 2001. The Company has not fixed any natural gas volumes in the second half of 2001.

The present natural gas market environment has several bullish fundamental factors that are creating a profitable climate for gas producers. Natural gas production growth in North America remains flat despite increased capital expenditures in the past year. Production decline rates remain high in both Canada and the U.S. Storage levels in North America have depleted to historically low levels, significantly lower than in 1999, creating uncertainty regarding the capability of supply to adequately refill storage during 2001 and meet North American consumption demands. Demand for natural gas remains robust, particularly for natural gas-fired electricity generation. The potential for above average temperatures throughout the U.S this summer would sustain demand, notwithstanding reduced economic growth throughout North America. Consequently, the Company believes that in the short-term, natural gas prices will be supported at current market levels and expects natural gas prices to increase in the latter half of this year.

Crude Oil

For 2000, Elk Point continued with the same crude oil marketing strategy as in 1999: to sell its crude oil and natural gas liquids to primarily two independent oil and natural gas liquids marketers. All sales were completed under short-term contracts. By adhering to this strategy for the past several years and by diligently collaborating with these parties to optimize the differentials, the Company has ensured it has earned the highest possible netback on its oil and natural gas liquids sales.

The average quality of Elk Point's crude oil sales remained stable in 2000 at a light crude quality of 32° API. Elk Point's average crude oil and natural gas liquids price was Cdn. $35.26 per barrel in 2000, up from Cdn. $22.33 per barrel in 1999, an increase of 58 percent. This increase mirrored the 57 percent increase in the average WTI in 2000 of U.S. $30.20 per barrel, up from U.S. $19.24 per barrel in 1999. Similarly, the average price for Edmonton Light crude oil in 2000 was Cdn. $44.33 per barrel, up 62 percent from the 1999 average of Cdn. $27.35 per barrel.

In 2001, the Company expects to realize high crude oil and natural gas liquid prices as in 2000 based on several factors in the global crude oil marketplace. These include OPEC's continued commitment to maintain stable oil prices by adjustments to its production quotas, as well as a general compliance to production cuts by its members. In North America, domestic concerns center on low crude oil and crude products inventory levels, particularly on an adequate supply of gasoline and re-formulated gasoline to meet this summer's driving season.

The Company's strategy includes the use of financial instruments and forward sales contracts to manage crude oil price risks. At April 20, 2001, Elk Point has fixed contracts for approximately 800 barrels per day at an average WTI price of U.S. $28.65 per barrel for the first half of 2001.

ENVIRONMENT

The Company is aware of the risks to the environment which are inherent in its business activities. Specifically, risks include the potential pollution of air, land and water and the disruption of natural habitats. Elk Point is committed to protecting and maintaining the environment with respect to all corporate operations on behalf of shareholders, employees and the general public. The Company conducts its business in compliance with all provincial and federal operations and environmental regulations and refers to the Environmental Operating Guidelines for the Alberta Petroleum Industry as a guide.

As well, the Company has developed an Environmental Policy Statement and Management Manual which all employees and contract operators carry out their work in accordance with. Careful planning and due diligence is exercised by the Company in preparation for its field operations. By conducting its operations with the protection of the environment as a priority, the Company reduces the risks associated with its activities.

The Company has an active well abandonment and reclamation program to manage and reduce these liabilities on an ongoing basis.

SAFETY

Elk Point Resources Inc. is committed to the protection of life and property in all that it seeks to achieve as an active oil and gas explorer and producer. Accordingly, our goal is to ensure the health and safety of our employees and all others involved in or impacted by our operations.

The Company has developed a Safety Policy and Corporate Safety Manual that all employees and contract operators carry out their work in accordance with. For its part, the Company will be responsible for seeking every reasonable means to provide a safe work environment; employ personnel with the skills, training and equipment required to complete their jobs in a safe manner; and use practices and procedures which meet or exceed regulatory or recognized industry standards. As well, the Company will encourage the active involvement and support of its employees in promoting and carrying out an effective safety program.

CAPP STEWARDSHIP PROGRAM

Elk Point is a member of the CAPP Environmental Health and Safety Stewardship Program, whose mission is to facilitate and enhance the sustainability of the Canadian upstream petroleum industry in a manner that equitably balances the three pillars of sustainable development: the environment, economy and society.

A DEDICATED TEAM

CREATING VALUE

▶ Elk Point has a team of dedicated professionals committed to profitable growth and enhancement of shareholder value.

EXPLORATION
Troy Brazzoni
Lisa Greening
Tim Laska
Carol Laws
Dell Pohlman
Cathy Strange
Brad Taylor

LAND
Shelley Cooper
Deanna Cullen
Tom Hunter
James Junker
Kari Webb

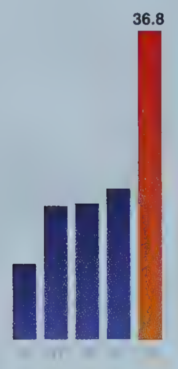
ACCOUNTING
Gates Aurigemma
Maureen Bryne
Wendy Knowles
Suzanne Linklater
Rosa Murney
Twyla Paget-Turcotte
Dell Rodway
Eugene Sandahl
Dawn Wallace

CORPORATE
Darrin Drall
Eileen Nicoll
Vivian Truesdale
Cathy Veness
Aidan Walsh

OPERATIONS
Wayne Astill
Brian Goodfellow
Kristine Helfrich
Charlene Logan
Eric Malcolm
Rob McKechney
Chantel Rusnak
Jason Schoenfeld
Richard Wade

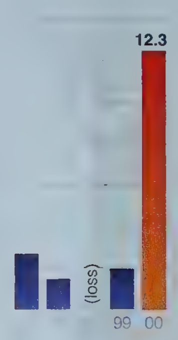
CASH FLOW

($millions)



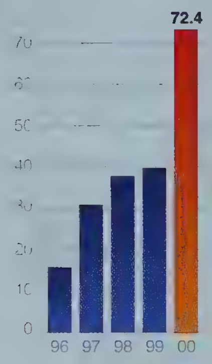
EARNINGS

($millions)



OIL AND GAS REVENUE

($millions)



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results should be read in conjunction with the consolidated financial statements for the years ended December 31, 2000 and 1999. Readers are cautioned that information provided herein for 2001 is based on assumptions regarding future events and actual results may vary from these estimates.

All references to barrel of oil equivalent is calculated converting natural gas to oil at a ratio of ten thousand cubic feet to one barrel of oil, unless otherwise indicated.

CASH FLOW FROM OPERATIONS AND EARNINGS

Cash flow from operations increased to $36.8 million during 2000, a 107 percent increase from $17.8 million in 1999. Cash flow per share increased to $1.38 per share in 2000, up 79 percent from $0.77 per share in 1999. Earnings increased 548 percent to $12.3 million ($0.46 per share) during 2000, up from $1.9 million ($0.08 per share) in 1999. The Company's weighted average number of shares outstanding was 26.6 million shares in 2000 compared to 23.1 million shares in 1999.

OIL AND GAS REVENUES

Oil and natural gas revenues increased to $72.4 million in 2000, up 85 percent from $39.2 million in 1999 due to the Company realizing higher commodity prices.

Analysis of Change in Oil & Gas Revenues

($millions)	Gas	Oil	Total
Fiscal 1999 revenues	$ 24.7	$ 14.5	$ 39.2
Increase in revenues due to price improvements	24.3	8.4	32.7
Increase (decrease) in revenues due to volume changes	(0.9)	1.4	0.5
Fiscal 2000 revenues	$ 48.1	$ 24.3	$72.4

Natural gas sales continue to be the dominant contributor to revenues:

1999 Percentage of total sales revenues	63%	37%	100%
2000 Percentage of total sales revenues	**66%**	**34%**	**100%**
1999 Percentage of total sales volumes (10:1)	60%	40%	100%
2000 Percentage of total sales volumes (10:1)	**58%**	**42%**	**100%**
1999 Percentage of total sales volumes (6:1)	71%	29%	100%
2000 Percentage of total sales volumes (6:1)	**70%**	**30%**	**100%**

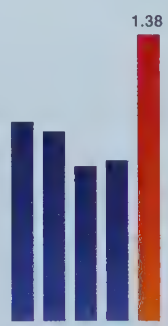
QUARTERLY SUMMARY OF OIL AND GAS REVENUES AND EARNINGS

The following summarizes the Company's gross petroleum and natural gas revenue, earnings and earnings per share for each quarter in 2000 and 1999:

	Three months ended				Year Ended
($000s, except per share amounts)	March 31	June 30	Sept. 30	Dec. 31	December 31
2000					
Gross petroleum					
and natural gas revenue	$ 12,738	$ 14,504	$ 18,114	$ 27,002	$ 72,358
Earnings	$ 1,624	$ 1,659	$ 3,086	$ 5,923	$ 12,292
Earnings per common share					
Basic and diluted	$ 0.06	$ 0.06	$ 0.12	$ 0.22	$ 0.46
1999					
Gross petroleum					
and natural gas revenue	$ 8,548	$ 9,238	$ 9,917	$ 11,507	$ 39,210
Earnings (loss)	$ (422)	$ 904	$ 599	$ 816	$ 1,897
Earnings (loss) per common share					
Basic and diluted	$ (0.02)	$ 0.04	$ 0.03	$ 0.03	$ 0.08

CASH FLOW PER SHARE

($)



PRODUCTION AND PRICES

	2000	1999	Change
Natural gas (thousand cubic feet per day)	25,937	26,499	-2%
Average price ($Cdn per thousand cubic feet)	$ 5.06	$ 2.55	+98%
Oil and natural gas liquids (barrels per day)	1,884	1,779	+6%
Average price ($Cdn per barrel)	$ 35.26	$ 22.33	+58%
Barrel of oil equivalent per day (10:1)	4,478	4,429	+1%
Barrel of oil equivalent per day (6:1)	6,207	6,196	–

Prices

The Company received an average natural gas price of $7.96 per thousand cubic feet in the fourth quarter of 2000, up 164 percent from $3.01 per thousand cubic feet during the same period of 1999. The Company realized an average natural gas price of $5.06 per thousand cubic feet in 2000, up 98 percent from $2.55 per thousand cubic feet in 1999. For the first quarter of 2001, the Company has fixed the price of 5.5 million cubic feet per day of natural gas at an average AECO price of $8.32 per thousand cubic feet.

The Company received an average crude oil and natural gas liquids price of $39.67 per barrel in the fourth quarter of 2000, up 41 percent from $28.11 per barrel for the same period in 1999. The Company realized an average crude oil and natural gas liquids sales price of $35.26 for 2000, up 58 percent from $22.33 per barrel in 1999. For the first quarter of 2001, the Company has fixed the price of 900 barrels of oil per day at an average West Texas Intermediate price of U.S. $28.54 per barrel which equates to an Edmonton price of approximately Cdn. $42.70 per barrel. For the second quarter of 2001, the Company has fixed the price of 300 barrels of oil per day at an average West Texas Intermediate price of U.S. $29.95 per barrel which equates to an Edmonton price of approximately Cdn. $45.26 per barrel.

ROYALTIES

Royalties net of the Alberta Royalty Tax Credit increased to $16.9 million in 2000, up from $5.2 million in 1999. As a percentage of revenue, royalties increased to 23 percent in 2000 compared to 13 percent in 1999. Higher average oil and gas sales prices have increased sliding scale crown royalty rates resulting in the Company's average royalty rate increasing in 2000. The Alberta Royalty Tax Credit amounted to $0.5 million in 2000 compared to $1.3 million in 1999.

OPERATING EXPENSES

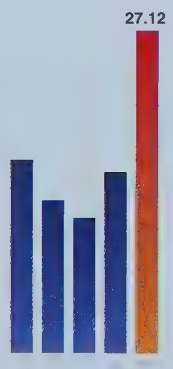
Operating expenses were $11.1 million in 2000 compared to $9.6 million in 1999. On a barrel of oil equivalent basis, operating costs averaged $6.80, up from $5.97 in 1999. The increase in unit operating costs results primarily from higher industry costs in 2000 and increased processing charges on natural gas production.

NETBACKS

The Company's operating netback increased by 79 percent in 2000 to $27.12 per barrel of oil equivalent from $15.14 per barrel of oil equivalent in 1999 (on a 10:1 basis).

Operating Netback

($/boe)



Net Back Analysis

(per barrel of oil equivalent)	10:1 basis		6:1 basis	
Year ended December 31	2000	1999	2000	1999
Total Revenues	$ 44.21	$ 24.34	$ 31.88	$ 17.41
Royalties (net of ARTC)	(10.29)	(3.23)	(7.42)	(2.31)
Operating Costs	(6.80)	(5.97)	(4.90)	(4.27)
Operating Netback	$ 27.12	$ 15.14	$ 19.56	$ 10.83
General & Administration	(1.73)	(1.58)	(1.25)	(1.13)
Interest Expense	(2.50)	(2.29)	(1.80)	(1.64)
Capital Taxes	(0.41)	(0.27)	(0.29)	(0.19)
Cash Flow Netback	$ 22.48	$ 11.00	$ 16.22	$ 7.87

'000 ANNUAL REPORT

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for 2000 increased marginally to $2.8 million compared to $2.5 million in 1999 due to general salary increases. On a per unit of production basis, general and administrative costs increased to $1.73 per barrel of oil equivalent in 2000 from $1.58 per barrel of oil equivalent in 1999.

INTEREST EXPENSE

Interest expense increased to $4.1 million in 2000 from $3.7 million in 1999 as a result of higher average interest rates. The Company draws upon its revolving production loan facility to partially finance development projects in its core areas.

DEPLETION, DEPRECIATION AND SITE RESTORATION

The depletion and depreciation provision totaled $14.9 million in 2000 ($9.14 per barrel of oil equivalent) compared to $14.4 million ($8.92 per barrel of oil equivalent) in 1999.

A provision of $0.7 million ($0.40 per barrel of oil equivalent) was made for site restoration in 2000 compared to $0.6 million ($0.39 per barrel of oil equivalent) in 1999. The estimated future site restoration costs to be accrued over the remaining proven reserves are approximately $7.8 million.

INCOME TAXES

Future income taxes of $8.9 million were recorded in 2000 compared to $0.8 million in 1999. Higher cash flow and profitability resulted in a higher expense in 2000.

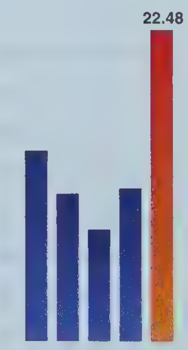
Current income taxes were $0.7 million in 2000, up from $0.4 million in 1999. The Company's current income tax expense is comprised of the Federal Large Corporations Tax and the Saskatchewan Capital Tax. In 2000, higher oil prices and the associated increase in oil revenues in Saskatchewan resulted in an increase in the Saskatchewan Capital Tax.

All current income taxes have been deferred by the Company's tax pools which at year-end were approximately $169 million. Approximately $19 million of these tax pools are successored as a result of past corporate acquisitions. These accumulated tax pools and anticipated future capital expenditures will defer current income taxes beyond 2001.

Effective January 1, 2000, the asset and liability method of accounting for income taxes was retroactively adopted without restating prior years' financial statements. As a result, the future tax liability and the deficit at December 31, 1999 were increased by $10,242. The effect on earnings for the year ended December 31, 2000 was an increase of $458 ($0.02 per share) as a result of the change.

Cash Flow Netback

($/boe)



Tax Pools

	Rate (%)	$000s
Canadian Exploration Expense (CEE)	100	$ 29,311
Canadian Development Expense (CDE)	30	23,280
Canadian Oil & Gas Property Expense (COGPE)	10	47,363
Undepreciated Capital Cost (UCC)	20-30	34,253
Canadian non-capital losses and U.S. operating losses	100	22,201
U.S. depletable costs		5,305
Miscible flood deductions	100	2,648
Unamortized share issue costs	20	1,477
Earned depletion		3,203
Total Tax Pools		$ 169,041

LIQUIDITY AND CAPITAL RESOURCES

The Company expended net capital of $60.0 million in 2000, up from $22.5 million in 1999. The following summarizes these expenditures by major category:

($000s)	2000	1999
Exploration	$ 15,464	$ 11,072
Development	4,513	3,382
Production facilities	6,336	4,470
Land	2,341	3,867
Seismic	711	614
Administrative assets	35	327
Acquisition of P&NG assets	37,384	4,742
Sale of P&NG assets	(6,761)	(6,022)
	$ 60,023	$ 22,452

The Company continued to have a significant exploration focus in its 2000 capital program. Exploration, land and seismic expenditures account for over 60 percent of the Company's non-acquisition capital program. The Company expended $6.9 million in California during the year. Capital expenditures in 2000 were financed by cash flow from operations and a disposition program.

The Company generated $6.8 million with its property disposition program. The assets sold were primarily non-producing, undeveloped prospects consistent with our goal to dispose of assets which would not contribute to our immediate growth plans.

On December 21, 2000, the Company completed a private placement of 1.4 million flow-through common shares at a price of $5.00 per share raising gross proceeds of $7 million. The gross proceeds of the offering will be used to expand the Company's exploration program in west central Alberta and the Peace River Arch area of Alberta.

At December 31, 2000, the Company had drawn $70.8 million on its revolving production loan facility. In December 2000 the Company negotiated an increase in this facility to $80 million. This increase will provide the Company with additional flexibility to fund its ongoing capital investment program. The Company's loan facility bears interest at the bank's prime rate or the bankers' acceptance rate plus a stamping fee.

The Company carried working capital $0.1 million at the end of 2000. Elk Point normally has a working capital deficiency as a result of operating the majority of its projects.

Elk Point funds its ongoing exploration and development activities from internally generated funds, bank debt and the issuance of common shares. When significant oil and gas property acquisitions are evaluated, all sources of financing are considered in pursuing these incremental opportunities.

CAPITAL PROGRAM – 2001

Elk Point has budgeted capital expenditures of $40 million in 2001 which will be allocated 40 percent towards exploration, 15 percent towards land and seismic and 45 percent towards development and investments in facilities. A significant portion of the Company's exploration activities will be its participation in high impact prospects in the San Joaquin Basin of California, and the balance will be directed towards Canadian exploration activities primarily in west central Alberta and the Peace River Arch of Alberta. It is anticipated that capital for exploration and development activities in 2000 will be entirely financed from internally generated funds.

BUSINESS RISKS

The business of exploring for, developing, acquiring, producing and marketing crude oil and natural gas reserves is subject to many risks and uncertainties. These risks include exposure to commodity price, interest rate and foreign currency exchange rate fluctuations, safety and environmental concerns, the uncertainty of replacing annual production, the uncertainty of finding new reserves and the effects of changes in regulatory and tax legislation.

Many of these risks are not within the control of management, but the Company has adopted several strategies to reduce and minimize the effects of these factors:

- The Company employs and maintains a staff of highly motivated, qualified and experienced professionals skilled in managing these risks and uncertainties.
- The Company uses various financial instruments to manage its exposure to commodity price fluctuations.
- The Company balances its portfolio of reserves and production between natural gas and light and medium crude oil.
- The Company operates the majority of its production and drilling activities to gain greater control of costs and timing of expenditures.
- The Company focuses on selective core areas and develops technical expertise and specialized working knowledge of such areas thereby ensuring geological and operational features are well understood.
- The Company maintains an Environmental Code of Conduct which it communicates to its field operating personnel. An Emergency Response Plan is in place to expediently and efficiently deal with any operational or environmental contingencies that may arise.
- The Company has a "safety-first" policy which encourages active involvement and support of its employees in promoting and carrying out an effective safety program, and it uses practices and procedures which meet or exceed regulatory and recognized industry standards.
- The Company monitors changes in governmental regulations to ensure continued compliance.

COMMON SHARE TRADING SUMMARIES

	2000				1999			
	High	Low	Close	Volume	High	Low	Close	Volume
1st Quarter	$ 4.00	$ 2.10	$ 3.34	4,845,957	$ 4.10	$ 1.70	$ 2.05	2,249,641
2nd Quarter	$ 5.65	$ 3.00	$ 4.00	6,859,924	$ 3.75	$ 1.65	$ 3.60	3,480,734
3rd Quarter	$ 4.33	$ 3.20	$ 3.78	2,420,102	$ 6.65	$ 3.60	$ 5.55	6,609,795
4th Quarter	$ 4.20	$ 2.80	$ 4.00	3,191,079	$ 6.05	$ 3.05	$ 3.90	5,659,944
Year Summary	$ 5.65	$ 2.10	$ 4.00	17,317,062	$ 6.65	$ 1.65	$ 3.90	18,000,114

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol "ELK". At March 31, 2001, the Company had 28,057,764 common shares outstanding and 2,446,883 stock options outstanding at an average strike price of $5.30 per share.

Elk Point is pleased to announce that in March 2001, the Company was added to the TSE 300 Composite, the TSE 300 Capped, the TSE 200 and S&P/TSE Canadian SmallCap Indices. These are broad market benchmarks of Canadian equity performance.

MANAGEMENT'S REPORT

The accompanying financial statements and all information in the annual report are the responsibility of management. The Financial statements have been prepared by management in accordance with the accounting policies described in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors, appointed by the shareholders of the Company, have examined the financial statements and have expressed an opinion on the statements. Their report is included with the financial statements.

The Board of Directors of the Company has established and Audit Committee, consisting of non-management directors, to review these statements with management and the auditors. The Audit Committee has approved these statements on behalf of the Company's Board of Directors.

Aidan M. Walsh	Vivian K. L. Truesdale
PRESIDENT & C.E.O.	CHIEF FINANCIAL OFFICER

March 22, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Elk Point Resources Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 22, 2001

CONSOLIDATED BALANCE SHEETS

(thousands of dollars)

As at December 31	2000	1999
Assets		
Current assets		
Accounts receivable	$ 21,085	$ 12,378
Petroleum and natural gas properties (note 2)	225,241	180,190
	$ 246,326	$ 192,568
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 20,987	$ 13,153
Long-term debt (note 3)	70,768	53,328
Provision for site restoration	2,596	2,058
Future income taxes (note 7)	24,189	2,087
Shareholders' equity		
Share capital (note 4)	128,777	124,983
Retained earnings (deficit)	(991)	(3,041)
	127,786	121,942
	$ 246,326	$ 192,568

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Aidan M. Walsh
DIRECTOR

Peter M. S. Longcroft
DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS

(thousands of dollars, except per share amounts)

Years ended December 31	2000	1999
Revenues		
Petroleum and natural gas	$ 72,358	$ 39,210
Royalties, net of ARTC	(16,860)	(5,227)
Interest and other income	72	146
	55,570	34,129
Expenses		
Operating	11,136	9,648
General and administrative	2,829	2,549
Interest	4,097	3,701
Depletion, depreciation and amortization (note 2)	15,633	15,053
	33,695	30,951
Earnings before income taxes	21,875	3,178
Income taxes (note 7)		
Current	668	433
Future	8,915	848
	9,583	1,281
Earnings	$ 12,292	$ 1,897
Earnings per share (note 5)		
Basic and diluted	$ 0.46	$ 0.08

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(thousands of dollars)

Years ended December 31	2000	1999
Retained earnings (deficit), beginning of year	$ (3,041)	$ (4,938)
Change in method of accounting for income taxes	(10,242)	–
Earnings	12,292	1,897
Retained earnings (deficit), end of year	$ (991)	$ (3,041)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of dollars, except per share amounts)

Years ended December 31	2000	1999
Cash provided by (used in)		
Operations		
Earnings	$ 12,292	$ 1,897
Items not affecting cash		
Depletion, depreciation and amortization	15,633	15,053
Future income taxes	8,915	848
Cash flow from operations	36,840	17,798
Change in non-cash working capital (note 6)	5,500	(1,463)
	42,340	16,335
Financing		
Long-term debt, net	17,440	(17,889)
Issue of common shares for cash, net of share issue costs	6,739	24,033
	24,179	6,144
Investments		
Additions to petroleum and natural gas properties and facilities	(66,784)	(28,474)
Proceeds on sale of petroleum and natural gas properties and facilities	6,761	6,022
Site restoration expenditures	(123)	(27)
Change in non-cash working capital	(6,373)	–
	(66,519)	(22,479)
Increase in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	$ –	$ –
Cash flow from operations per share (note 5)		
Basic	$ 1.38	$ 0.77
Diluted	$ 1.38	$ 0.76

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

(Tabular amounts in thousands of dollars unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION:
The consolidated financial statements of Elk Point Resources Inc. (the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

The consolidated financial statements include the accounts of the Company and its wholly-owned United States subsidiary.

(B) PETROLEUM AND NATURAL GAS PROPERTIES:
The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs relating to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized. Such costs are accumulated in two cost centres representing activities in Canada and the United States.

These capitalized costs together with production and related equipment are depleted and depreciated using the unit-of-production method based on estimated gross proved oil and gas reserves as determined by independent reservoir engineers. Petroleum and natural gas reserves and production are converted into equivalent units based upon relative energy content. Depreciation of facilities is charged to earnings over an estimated useful life of 20 years on a straight-line basis.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

The net capitalized costs in each cost center less salvage values, are restricted from exceeding a net recoverable amount equal to the estimated undiscounted future net revenues, based on year-end prices and costs, derived from proven reserves, less the estimated development and future site restoration costs plus the lower of cost and estimated fair value of unproven properties. The consolidated net capitalized costs are further limited to an amount equal to the estimated undiscounted future net revenues, based on year-end prices and costs, derived from proven reserves, less the aggregate estimated development, site restoration, general and administrative, financing and income tax costs plus the lower of cost and estimated fair value of unproven properties.

Estimated future site restoration costs are provided for over the life of the proven reserves on a unit-of-production basis. Costs are estimated each year by management based on current regulations, costs, technology and industry standards. The annual charge is included in depletion, depreciation and amortization expense and actual site restoration expenditures are charged to the accrued liability account as incurred.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

Substantially all exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

(C) PER SHARE AMOUNTS:
A new standard for the computation and disclosure of earnings per share and cash flow from operations per share has been adopted. Under the new standard, the treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments instead of the imputed earnings method. Under the treasury stock method only "in-the-money" dilutive instruments impact the diluted calculation.

Basic per share amounts are computed by dividing earnings and cash flow from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised or converted to common shares. The treasury stock method assumes that any proceeds upon the exercise or conversion of dilutive instruments would be used to purchase common shares at the average market price of the common shares during the period.

In the fourth quarter of fiscal 2000, the Company retroactively adopted the new standard. Prior period diluted earnings per share and cash flow from operations per share have been restated for this change.

(D) FUTURE INCOME TAXES:

Effective January 1, 2000, the Company adopted the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting bases and the tax bases of assets and liabilities, and they are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. This new method was retroactively adopted without restating prior years' financial statements. Prior to January 1, 2000, income taxes were accounted for by the deferral method.

(E) REVENUE RECOGNITION:

Revenues associated with the sales of natural gas, natural gas liquids and crude oil owned by the Company are recognized when title passes from the Company to its customer.

(F) HEDGING:

The Company periodically enters into financial instruments and forward sales contracts to hedge its exposure to price declines on a portion of its petroleum and natural gas production. Gains or losses on the financial instruments are reported as adjustments to revenues in the related production month.

(G) FOREIGN CURRENCY TRANSLATION:

Accounts of foreign operations, which are considered financially and operationally integrated, are translated to Canadian dollars using average rates for the year for revenue and expenses, except depreciation and depletion which are translated at the rate of exchange applicable to the related assets. Gains or losses resulting from these translation adjustments are included in earnings. Monetary assets are translated at current exchange rates, and non-monetary assets are translated using historical rates of exchange.

(H) FLOW-THROUGH SHARES:

The deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced by and future income tax is increased by an estimated tax effect of the amounts renounced to shareholders.

(I) STOCK-BASED COMPENSATION PLANS:

The Company has one stock-based compensation plan which is described in note 4. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees upon exercise of stock options is credited to share capital.

2. PETROLEUM AND NATURAL GAS PROPERTIES

	Cost	Accumulated depletion and depreciation	Net book value
2000			
Petroleum and natural gas properties	$ 243,776	$ 69,909	$ 173,867
Gas plant and well equipment	61,255	9,881	51,374
	$ 305,031	$ 79,790	$ 225,241
1999			
Petroleum and natural gas properties	$ 201,563	$ 57,943	$ 143,620
Gas plant and well equipment	43,445	6,875	36,570
	$ 245,008	$ 64,818	$ 180,190

Costs of unproved properties excluded from costs subject to depletion and depreciation at December 31, 2000 totalled $19.6 million (1999 – $17.1 million), including $8.1 million relating to properties in the United States.

A provision for site restoration costs totaling $0.7 million (1999 – $0.6 million) is included in depletion, depreciation and amortization expense. The estimated future site restoration costs to be accrued over the remaining proved reserves are approximately $7.8 million.

At December 31, 2000, flow-through share arrangements require the Company to incur approximately $7.0 million in exploratory costs during the twelve months ended December 31, 2001.

LONG TERM DEBT

The Company borrows funds under a revolving production loan facility. Repayments of the facility are not required provided the amounts borrowed do not exceed the lesser of $80 million or an amount determined from time to time. The amount of the facility is redetermined annually by the bank and at the bank's option may be converted to a five year term facility. The next facility review is scheduled to be completed in May 2001 at which time the bank may change the amount of the facility.

The facility bears interest at the bank prime rate or the bankers' acceptance rate plus a stamping fee. Advances made under this facility are secured by a $100 million floating charge demand debenture over the Company's interests in petroleum and natural gas properties.

SHARE CAPITAL

AUTHORIZED:

Unlimited number of voting common shares.

ISSUED:

	Number of Shares	Amount
Balance, December 31, 1998	21,716,138	$ 102,725
Issued for cash		
Exercise of stock options	137,668	237
Pursuant to public offering	3,300,000	19,800
Pursuant to flow through share issue	1,377,125	5,508
Tax effect of flow through share issue	–	(2,450)
Share issuance costs	–	(1,512)
Tax benefit of share issue costs	–	675
Balance, December 31, 1999	26,530,931	124,983
Issued for cash		
Exercise of stock options	71,750	135
Pursuant to flow through share issue	1,400,000	7,000
Tax effect of flow through share issue	–	(3,122)
Share issuance costs	–	(396)
Tax benefit of share issue costs	–	177
Balance, December 31, 2000	28,002,681	$ 128,777

STOCK-BASED COMPENSATION PLAN:

The Company has established a stock option plan whereby certain officers, directors and employees may be granted options to purchase common shares. On December 31, 2000 there were 2,580,549 common shares reserved for issuance under the plan. The exercise price of each option equals the market price of the common shares on the date of grant. Options granted under the plan have a maximum term of five years and vest equally over a three year period starting on the first anniversary date of the grant.

A summary of the status of the plan as of December 31, 2000 and 1999 and changes during the years ending on those dates is presented below:

	2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, January 1	2,004,833	$ 5.55	1,790,301	$ 5.46
Granted	468,300	$ 3.95	398,500	$ 4.57
Exercised	(71,750)	$ 1.87	(137,668)	$ 1.72
Cancelled	(50,450)	$ 5.37	(46,300)	$ 5.25
Outstanding, December 31	2,350,933	$ 5.34	2,004,833	$ 5.55
Exercisable, December 31	1,505,700	$ 6.07	983,199	$ 5.97

Summary information about the options outstanding at December 31, 2000 is presented below:

	Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Number Exercisable at 12/31/00	Weighted Average Exercise Price
$ 2.50 to $ 3.35	451,083	2.6 years	$ 2.96		273,585	$ 2.90
$ 3.50 to $ 4.80	710,950	4.1 years	$ 4.26		94,882	$ 4.66
$ 5.10 to $ 6.55	529,000	1.4 years	$ 6.19		477,333	$ 6.23
$ 7.30 to $ 7.65	659,900	1.7 years	$ 7.46		659,900	$ 7.46
$ 1.60 to $ 7.65	2,350,933	2.5 years	$ 5.34		1,505,700	$ 6.07

5. PER SHARE AMOUNTS:

The weighted average number of shares outstanding during the year was 26,600,987 (1999 – 23,108,518). In computing diluted earnings per share and cash flow from operations per share, 110,730 shares (1999 – 166,410 shares) were added to the weighted average number of common shares outstanding during the year for the dilutive effect of stock options.

If the imputed earnings method had been used to calculate the amounts, the reported amounts would have been:

	2000	1999
Earnings per share, diluted	$ 0.44	$ 0.08
Cash flow from operations per share, diluted	$ 1.29	$ 0.72

6. CASH FLOW INFORMATION:

	2000	1999
Change in balance sheet amounts		
Accounts receivable	$ (8,707)	$ 3,953
Accounts payable	7,834	(5,416)
	$ (873)	$ (1,463)
Change in non-cash working capital		
Operations	$ 5,500	$ (1,463)
Investments	(6,373)	–
	$ (873)	$ (1,463)

The following cash payments were made during the year:

	2000	1999
Interest paid	$ 3,899	$ 3,930
Taxes paid	$ 494	$ 858

INCOME TAXES

Effective January 1, 2000, the asset and liability method of accounting for income taxes was retroactively adopted without restating prior years' financial statements. As a result, the future tax liability and the deficit at December 31, 1999 were increased by $10,242. The effect on earnings for the year ended December 31, 2000 was an increase of $458 ($0.02 per share) as a result of the change.

The provision for income taxes varies from the amounts that would be computed by applying the statutory federal and provincial income tax rates of 44.6% (1999 – 44.6%) to earnings before income taxes. Income taxes have been computed as follows:

	2000	1999
Computed "expected" tax provision	$ 9,756	$ 1,417
Crown royalties	5,804	2,082
Resource allowance	(5,714)	(2,592)
Alberta royalty tax credit	(230)	(595)
U.S. tax rate difference	(145)	–
Other	(556)	–
Non-tax base depletion	–	536
Capital taxes - Canada	668	433
	$ 9,583	$ 1,281

The components of the Company's future income tax liability at December 31, 2000 are as follow:

Future income tax assets	
Non-capital losses – Canada	$ 4,498
– United States	4,534
Future site restoration	869
Share issue costs	659
Other	2,126
Future income tax liabilities	
Petroleum and natural gas properties in excess of tax values	(36,875)
	$ (24,189)

FINANCIAL INSTRUMENTS

The Company is exposed to fluctuations in commodity prices, interest rates and exchange rates. The Company monitors and, when appropriate, utilizes financial instruments to manage its exposure to these risks.

Financial instruments are subject to fluctuation in prices and rates but, by nature of being hedges of an actual or anticipated transaction, any gains or losses are offset by gains or losses on the hedged transaction.

The Company is exposed to losses in the event of non-performance by counter-parties to the financial instruments. The Company deals with major institutions and does not anticipate non-performance by counter-parties.

COMMODITY PRICE RISK MANAGEMENT

The Company enters into gas sales agreements to provide exposure to a portfolio of pricing indices. At December 31, 2000 the Company had sales agreements in place that fixed the gas sales price on 5.3 million cubic feet per day of production in the first three months of 2001.

The Company sells its oil production through short-term sales agreements and also enters into financial instruments to hedge against a reduction in prices. At December 31, 2000 the Company had (a) sales agreements in place that fixed the oil sales price on approximately 500 barrels per day of production in the first three months of 2001 and approximately 100 barrels per day of production in the second three months of 2001, and (b) price swap agreements that fixed the oil sales price on approximately 400 barrels per day of production in the first three months of 2000 and approximately 200 barrels per day of production in the second three months of 2000. Had the Company unwound the oil price swap agreements on December 31, 2000, the Company would have received a payment of $214,000.

FOREIGN CURRENCY RISK MANAGEMENT

The Company is exposed to foreign currency fluctuations on its United States operating activities as these commitments are denominated in U.S. dollars. At December 31, 2000 there are no contracts in place to fix exchange rates on these transactions.

INTEREST RATE RISK MANAGEMENT

At December 31, 2000 the Company has $70.8 million of variable rate debt. There were no contracts in place at December 31, 2000 to fix the interest rate on this floating rate debt.

CREDIT RISK

A substantial portion of the Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal industry credit risk. Purchasers of the Company's natural gas, crude oil and natural gas liquids are subject to an internal credit review to minimize the risk of non-payment.

FAIR VALUES

The carrying amounts of the Company's financial assets and liabilities approximate their carrying values as at December 31, 2000.

9. GEOGRAPHICAL INFORMATION:

	Canada	United States
Revenues		
Petroleum and natural gas	$ 70,033	$ 2,325
Royalties, net of ARTC	(16,092)	(768)
	$ 53,941	$ 1,557
Petroleum and natural gas properties	$ 206,076	$ 19,165

STATISTICAL SUMMARY

	2000	1999	1998	1997	1996	1995
Financial ($000s, except share and per share amounts)						
Gross petroleum and natural gas revenue	$ 72,358	$ 39,210	$ 37,444	$ 30,418	$ 15,324	$ 4,767
Cash flow from operations	$ 36,840	$ 17,798	$ 16,116	$ 15,965	$ 8,971	$ 2,114
Per share – basic	$ 1.38	$ 0.77	$ 0.74	$ 0.91	$ 0.96	$ 0.32
Earnings	$ 12,292	$ 1,897	$ (8,886)	$ 1,350	$ 2,554	$ 369
Per share – basic	$ 0.46	$ 0.08	$ (0.41)	$ 0.08	$ 0.27	$ 0.04
Per share – diluted	$ 0.46	$ 0.08	$ (0.41)	$ 0.08	$ 0.26	$ 0.04
Number of Common Shares						
Outstanding at December 31 (000s)	28,003	26,531	21,716	21,629	14,009	8,229
Weighted average for year (000s)	26,601	23,109	21,686	17,481	9,333	6,568
Shareholders' equity	$ 127,786	$121,942	$ 97,787	$106,594	$ 45,307	$ 11,168
Capital expenditures, net	$ 60,023	$ 22,452	$ 42,135	$112,903	$ 44,838	$ 7,711
Total assets	$ 246,326	$192,568	$190,935	$182,889	$ 67,266	$ 19,286
Working capital deficiency	$ 98	$ (775)	$ (2,238)	$ (13,854)	$ (3,924)	$ (1,333)
Long-term debt	$ 70,768	$ 53,328	$ 71,217	$ 33,586	$ 5,750	$ 4,055
Operations						
Crude oil and NGL production (bbls/d)	1,884	1,779	2,152	1,654	1,047	123
Average sales price ($/bbl)	$ 35.26	$ 22.33	$ 16.83	$ 23.57	$ 26.76	$ 21.44
Natural gas production (mcf/d)	25,937	26,499	33,454	24,632	7,373	6,876
Average sales price ($/mcf)	$ 5.06	$ 2.55	$ 1.98	$ 1.80	$ 1.77	$ 1.35
Barrels of oil equivalent at 6:1						
Total daily production (boe/d)	6,207	6,196	7,728	5,759	2,276	1,269
Operating netbacks ($/boe)	$ 19.56	$ 10.83	$ 8.02	$ 9.15	$ 12.74	$ 6.76
Operating costs ($/boe)	$ 4.90	$ 4.27	$ 3.47	$ 3.32	$ 4.31	$ 2.68
General and administrative costs ($/boe)	$ 1.25	$ 1.13	$ 0.92	$ 0.89	$ 1.01	$ 1.54
Barrels of oil equivalent at 10:1						
Total daily production (boe/d)	4,478	4,429	5,497	4,117	1,784	811
Operating netbacks ($/boe)	$ 27.12	$ 15.14	$ 11.28	$ 12.79	$ 16.25	$ 10.57
Operating costs ($/boe)	$ 6.80	$ 5.97	$ 4.88	$ 4.64	$ 5.50	$ 4.20
General and administrative costs ($/boe)	$ 1.73	$ 1.58	$ 1.30	$ 1.25	$ 1.29	$ 2.40
Reserves						
Crude oil and NGLs (Mbbls)						
Proven	8,136	6,405	6,924	7,558	2,813	941
Probable	6,554	4,508	4,601	4,077	757	611
Total	14,690	10,913	11,525	11,635	3,570	1,552
Natural gas (Bcf)						
Proven	94.7	88.6	93.2	84.8	45.0	19.8
Probable	48.7	41.8	38.5	33.4	11.3	4.4
Total	143.4	130.4	131.7	118.2	56.3	24.2
Wells Drilled						
Gross	41	32	79	100	43	21
Net	19.3	17.0	46.6	59.3	28.9	12.7
Land Holdings						
Gross acres	469,734	554,762	583,856	506,691	313,379	236,218
Net acres	209,939	247,846	263,594	226,054	130,219	77,811

CORPORATE INFORMATION

DIRECTORS

W. Peter Comber (3)
President
McCutcheon Comber
Investment Management Inc.

Kenneth R. King (1)(3)
President
Reston Resources Ltd.

Peter M. S. Longcroft (1)(2)
Chairman
Sterling Capital Group Ltd

Rodger A. Tourigny (1)(2)
President
Tourigny Management Ltd.

Aidan M. Walsh (2)(3)
President & Chief Executive Officer
Elk Point Resources Inc.

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Corporate Governance Committee

MANAGEMENT AND OFFICERS

Troy K. Brazzoni
Executive Vice President, Exploration

Darrin R. Drall
Vice President, Corporate Development

Brian J. Goodfellow
Vice President, Production and Operations

James P. Junker
Vice President, Land

Twyla D. Paget-Turcotte
Controller

Vivian K.L. Truesdale
Chief Financial Officer

Aidan M. Walsh
President & Chief Executive Officer

Dallas L. Droppo
Corporate Secretary

CORPORATE OFFICE

800, 635 – 8th Avenue S.W.
Calgary, Alberta T2P 3M3
Telephone: (403) 264-1358
Fax: (403) 261-8702

LEGAL COUNSEL

Blake Cassels & Graydon LLP
Calgary, Alberta

TRANSFER AGENT & REGISTRAR

CIBC Mellon Trust Company
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

BANKING

The Bank of Nova Scotia
Calgary, Alberta

ENGINEERING

Reliance Engineering Group Ltd.
McDaniel and Associates Consultants Ltd.

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: ELK

VISIT US AT OUR WEBSITE: www.elkpointresources.ca

ABBREVIATIONS

bbls	Barrels
bbls/d	Barrels per day
mbbls	Thousand barrels
mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
mmcf	Million cubic feet
mmcf/d	Million cubic feet per day
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boe/d	Barrels of oil equivalent per day
AEUB	Alberta Energy and Utilities Board
API	American Petroleum Institute
ARTC	Alberta Royalty Tax Credit
GPP	Good Production Practice
OPEC	Organization of Petroleum Exporting Countries
WTI	West Texas Intermediate

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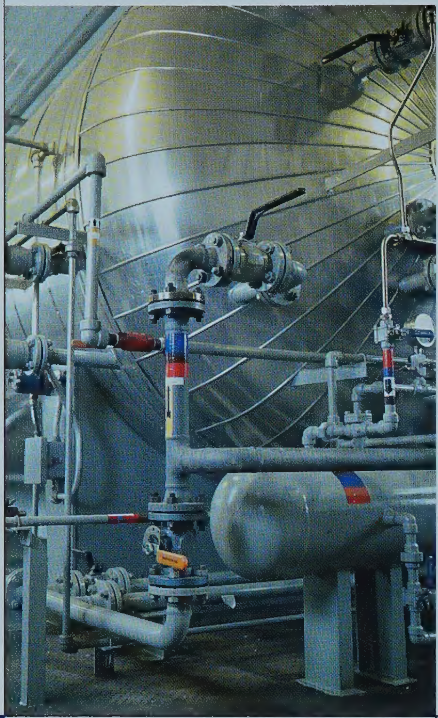

ELK POINT
RESOURCES

Suite 800, 635 - 8th Ave S.W.
Calgary, Alberta T2P 3M3
Telephone: (403) 264-1358
Fax: (403) 261-8702

website: www.elkpointresources.ca